

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>VILLAGE OF CALEDONIA</b>	County <b>KENT</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>9/21/05</b>	Date Accountant Report Submitted to State: <b>12/22/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

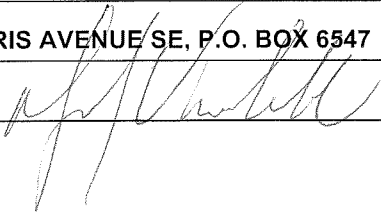
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>REHMANN ROBSON</b>			
Street Address <b>2330 EAST PARIS AVENUE SE, P.O. BOX 6547</b>	City <b>GRAND RAPIDS</b>	State <b>MI</b>	ZIP <b>49516-6547</b>
Accountant Signature 		Date <b>12/22/05</b>	

# **VILLAGE OF CALEDONIA**



*A Friendly, Growing Community*

**CALEDONIA, MICHIGAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2005**



**REHMANN ROBSON**

*Certified Public Accountants*

# VILLAGE OF CALEDONIA

## TABLE OF CONTENTS

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	<u>PAGE</u>
<b>Independent Auditors' Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-9
<b>Basic Financial Statements</b>	
Governmental-wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11-12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Major Streets Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Local Streets Fund	19
Statement of Net Assets – Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Notes to Financial Statements	23-30
 <b>Individual Fund Schedule</b>	
General Fund	
Schedule of Expenditures – Budget and Actual	31-32
 <b>Internal Control and Compliance</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33



# REHMANN ROBSON

*Certified Public Accountants*

*A member of* THE REHMANN GROUP

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## INDEPENDENT AUDITORS' REPORT

September 21, 2005

Honorable President and  
Members of the Village Council  
Village of Caledonia, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Caledonia, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Caledonia, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Caledonia, Michigan as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2005, on our consideration of the Village of Caledonia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Caledonia's basic financial statements. The individual fund schedule is presented for purposes of additional analysis and is not a required part of the Village of Caledonia's basic financial statements. The individual schedule has been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

## Management's Discussion and Analysis

As management of the Village of Caledonia, we offer readers of the Village of Caledonia's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- The Village finished the Main Street Reconstruction Project.
- Major improvements on 92<sup>nd</sup> Street and Dobber-Wenger are currently taking place.
- The Village purchased a tractor in September 2004.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Caledonia's financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Village of Caledonia that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government administration and public works including major and local street maintenance. The business-type activities of the Village include sewer services.

The government-wide financial statements can be found on pages 10-12 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Caledonia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major streets, local streets, and debt service funds, each of which are considered to be major funds.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The governmental fund financial statements can be found on pages 13-19 of this report.

**Proprietary funds.** The Village of Caledonia maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Caledonia uses an enterprise fund to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-30 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

Individual fund schedules can be found on pages 31-32 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Caledonia, assets exceeded liabilities by \$7,240,651 at the close of the most recent fiscal year.

A portion of the Village's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Village of Caledonia Net Assets

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Current and other assets	\$ 986,278	\$1,122,857	\$ 793,234	\$ 881,766	\$1,779,512	\$2,004,623
Capital assets	4,109,511	3,638,899	2,384,149	2,326,619	6,493,660	5,965,518
Total assets	5,095,789	4,761,756	3,177,383	3,208,385	8,273,172	7,970,141
Long-term liabilities outstanding	-	-	935,050	959,428	935,050	959,428
Other liabilities	53,950	29,150	43,521	29,741	97,471	58,891
Total liabilities	53,950	29,150	978,571	989,169	1,032,521	1,018,319
Net assets:						
Invested in capital assets, net						
of related debt	4,109,511	3,638,899	1,449,099	1,356,619	5,558,610	4,995,518
Restricted	334,486	416,270	-	-	334,486	416,270
Unrestricted	597,842	677,437	749,713	862,597	1,347,555	1,540,034
<b>Total net assets</b>	<b><u>\$5,041,839</u></b>	<b><u>\$4,732,606</u></b>	<b><u>\$2,198,812</u></b>	<b><u>\$2,219,216</u></b>	<b><u>\$7,240,651</u></b>	<b><u>\$6,951,822</u></b>



Net assets of the Village increased by \$288,829.

### Village of Caledonia Changes in Net Assets

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Revenue:						
Program revenue:						
Charges for services	\$ 8,261	\$ 167,091	\$ 320,487	\$ 336,026	\$ 328,748	\$ 503,117
Capital grants and contributions	256,498	-	-	-	256,498	-
General revenue:						
Property taxes	226,591	200,919	-	-	226,591	200,919
Other governmental sources	173,211	167,017	-	-	173,211	167,017
Other	15,644	16,501	12,625	(1,034)	28,269	15,467
Total revenue	<u>680,205</u>	<u>551,528</u>	<u>333,112</u>	<u>334,992</u>	<u>1,013,317</u>	<u>886,520</u>
Expenses:						
General government	184,094	206,131	-	-	184,094	206,131
Public works	186,878	170,018	-	-	186,878	170,018
Sewer	-	-	353,516	324,704	353,516	324,704
Total expenses	<u>370,972</u>	<u>376,149</u>	<u>353,516</u>	<u>324,704</u>	<u>724,488</u>	<u>700,853</u>
Increase in net assets	309,233	175,379	(20,404)	10,288	288,829	185,667
Net assets - beginning of year	<u>4,732,606</u>	<u>4,557,227</u>	<u>2,219,216</u>	<u>2,208,928</u>	<u>6,951,822</u>	<u>6,766,155</u>
Net assets - end of year	<u><b>\$5,041,839</b></u>	<u><b>\$4,732,606</b></u>	<u><b>\$2,198,812</b></u>	<u><b>\$2,219,216</b></u>	<u><b>\$7,240,651</b></u>	<u><b>\$6,951,822</b></u>

#### Governmental activities

During the year the Village continued its emphasis in public works by investing \$186,878 or 50% of governmental activities expenses. General government functions made up the remaining 50% of governmental activities expenses.

The governmental activities increase in net assets of \$309,233 is due to the recognition of a state grant related to the main street construction project while the related infrastructure will be depreciated over the project's estimated useful life. Charges for services decreased significantly due to a one-time reimbursement received for construction activities in the prior year.

#### Business-type activities

Business-type activities decreased the Village's net assets by \$20,404. By comparison, business-type activities reported an increase in net assets the previous fiscal year of \$10,288. Key elements of this decrease are as follows:

- Charges for services for business-type activities decreased by 5 percent, or roughly \$15,500, compared to the prior year.
- Increased operating costs related to electrical charges and insurance.

## **Financial Analysis of the Government's Funds**

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental funds.*** The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$932,328, a decrease of \$161,379 in comparison with the prior year.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$597,842 which is equal to total fund balance. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 94 percent of total general fund expenditures.

The fund balance of the Village's general fund decreased by \$79,595 during the current fiscal year due to expenditures for the Main Street construction project which was partially off-set by a grant received, and a transfer to the local streets fund.

The major and local street funds have total fund balances of \$334,381, which decreased by \$81,785 during the year. This was due to road projects completed during the year.

***Proprietary funds.*** The Village's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer fund at the end of the year amounted to \$749,713. The sewer fund had a decrease in net assets for the year of \$20,404. Other factors concerning the finances of this fund have already been addressed in the discussion of the Village's business-type activities.

## **General Fund Budgetary Highlights**

There were no differences between the original and final amended budgets for expenditures. State revenue and public works expenditures were significantly higher than budget due to recognizing the State's portion of the Main Street construction project.

## Capital Asset and Debt Administration

**Capital assets.** The Village's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounted to \$6,493,660 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment.

Major capital asset additions include:

- Main Street Reconstruction
- Tractor purchase

### Village of Caledonia Capital Assets (net of depreciation)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$3,487,649	\$3,487,649	\$ 108,268	\$ 108,268	\$3,595,917	\$ 3,595,917
Buildings and system improvements	562,213	73,999	2,243,008	2,195,921	2,805,221	2,269,920
Vehicles and equipment	59,649	77,251	32,873	22,430	92,522	99,681
<b>Total</b>	<b><u>\$4,109,511</u></b>	<b><u>\$3,638,899</u></b>	<b><u>\$2,384,149</u></b>	<b><u>\$2,326,619</u></b>	<b><u>\$6,493,660</u></b>	<b><u>\$ 5,965,518</u></b>

Additional information on the Village of Caledonia capital assets can be found in Note 4 on pages 28-29 of this report.

**Long-term debt.** At the end of the current fiscal year, the Village had total debt outstanding (net of unamortized discount) of \$935,050 as follows:

### General Obligation and Revenue Bonds

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Bonds, net of unamortized discount (\$9,950)	\$ -	\$ -	\$935,050	\$959,428	\$935,050	\$959,428
<b>Total</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$935,050</u></b>	<b><u>\$959,428</u></b>	<b><u>\$935,050</u></b>	<b><u>\$959,428</u></b>

The Village's total debt decreased by \$24,378 during the current fiscal year.

The Village is currently not rated for general obligation bond issuance.

Additional information on the Village's long-term debt can be found in Note 6 on page 30 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Village's budget for the 2005-06 fiscal year:

- Increased employee wages cost of 3%.
- No change in property tax revenue due to similar housing development rates from PY.
- No change in state revenue sharing payments due to state budget issues.

## **Requests for Information**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, 250 South Maple St., SE, Caledonia, Michigan 49316.

# VILLAGE OF CALEDONIA

## STATEMENT OF NET ASSETS

*JUNE 30, 2005*

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 968,515	\$ 427,317	\$ 1,395,832
Receivables:			
Accounts	-	70,765	70,765
Taxes	2,113	-	2,113
Due from state	15,650	-	15,650
Restricted cash and cash equivalents	-	295,152	295,152
Land	3,487,649	108,268	3,595,917
Property and equipment, net of accumulated depreciation	621,862	2,275,881	2,897,743
<b>Total assets</b>	<b>5,095,789</b>	<b>3,177,383</b>	<b>8,273,172</b>
<b>Liabilities</b>			
Accounts payable	51,837	43,521	95,358
Unearned revenue	2,113	-	2,113
Noncurrent liabilities:			
Unamortized discount	-	(9,950)	(9,950)
Due within one year	-	25,000	25,000
Due in more than one year	-	920,000	920,000
<b>Total liabilities</b>	<b>53,950</b>	<b>978,571</b>	<b>1,032,521</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	4,109,511	1,449,099	5,558,610
Restricted for:			
Major streets	331,722	-	331,722
Local streets	2,659	-	2,659
Debt service	105	-	105
Unrestricted	597,842	749,713	1,347,555
<b>Total net assets</b>	<b>\$ 5,041,839</b>	<b>\$ 2,198,812</b>	<b>\$ 7,240,651</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CALEDONIA**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2005**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 184,094	\$ 3,808	\$ -	\$ -	\$ (180,286)
Public works	<u>186,878</u>	<u>4,453</u>	<u>-</u>	<u>256,498</u>	<u>74,073</u>
Total governmental activities	<u>370,972</u>	<u>8,261</u>	<u>-</u>	<u>256,498</u>	<u>(106,213)</u>
Business-type activities:					
Sewer	<u>353,516</u>	<u>320,487</u>	<u>-</u>	<u>-</u>	<u>(33,029)</u>
Total business-type activities	<u>353,516</u>	<u>320,487</u>	<u>-</u>	<u>-</u>	<u>(33,029)</u>
Total primary government	<u>\$ 724,488</u>	<u>\$ 328,748</u>	<u>\$ -</u>	<u>\$ 256,498</u>	<u>\$ (139,242)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CALEDONIA**

**STATEMENT OF ACTIVITIES (CONCLUDED)**

**FOR THE YEAR ENDED JUNE 30, 2005**

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<b>Changes in net assets</b>			
Net (expense) revenue	\$ (106,213)	\$ (33,029)	\$ (139,242)
General revenues:			
Property taxes	226,591	-	226,591
State shared revenue	173,211	-	173,211
Unrestricted investment earnings	15,644	12,625	28,269
Total general revenues	415,446	12,625	428,071
Change in net assets	309,233	(20,404)	288,829
Net assets, beginning of year	4,732,606	2,219,216	6,951,822
<b>Net assets, end of year</b>	<u>\$ 5,041,839</u>	<u>\$ 2,198,812</u>	<u>\$ 7,240,651</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CALEDONIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**JUNE 30, 2005**

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>MAJOR STREETS</u>	<u>LOCAL STREETS</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
Cash and cash equivalents	\$ 633,152	\$ 323,529	\$ 11,729	\$ 105	\$ 968,515
Due from state	3,817	8,415	3,418	-	15,650
Taxes receivable	2,113	-	-	-	2,113
<u>TOTAL ASSETS</u>	<u>\$ 639,082</u>	<u>\$ 331,944</u>	<u>\$ 15,147</u>	<u>\$ 105</u>	<u>\$ 986,278</u>
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ 39,127	\$ 222	\$ 12,488	\$ -	\$ 51,837
Deferred revenue	2,113	-	-	-	2,113
TOTAL LIABILITIES	41,240	222	12,488	-	53,950
FUND BALANCES					
Unreserved- undesignated	597,842	331,722	2,659	105	932,328
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 639,082</u>	<u>\$ 331,944</u>	<u>\$ 15,147</u>	<u>\$ 105</u>	<u>\$ 986,278</u>

The accompanying notes are an integral part of these financial statements.



# ***VILLAGE OF CALEDONIA***

## ***RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS***

***JUNE 30, 2005***

Fund balances - total governmental funds	\$ 932,328
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - land	3,487,649
Add - capital assets	787,298
Deduct - accumulated depreciation	<u>(165,436)</u>

Net assets of governmental activities	<u><u>\$ 5,041,839</u></u>
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The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CALEDONIA**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	GENERAL FUND	MAJOR STREETS	LOCAL STREETS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 226,591	\$ -	\$ -	\$ -	\$ 226,591
Intergovernmental revenue:					
State shared revenue	343,141	55,044	31,524	-	429,709
Licenses and permits	4,453	-	-	-	4,453
Interest earnings	9,909	5,599	135	1	15,644
Other	3,808	-	-	-	3,808
<b>TOTAL REVENUES</b>	<b>587,902</b>	<b>60,643</b>	<b>31,659</b>	<b>1</b>	<b>680,205</b>
EXPENDITURES					
Current:					
General government	171,327	-	-	-	171,327
Public works	466,555	131,233	72,469	-	670,257
<b>TOTAL EXPENDITURES</b>	<b>637,882</b>	<b>131,233</b>	<b>72,469</b>	<b>-</b>	<b>841,584</b>
REVENUES OVER (UNDER) EXPENDITURES	(49,980)	(70,590)	(40,810)	1	(161,379)
OTHER FINANCING SOURCES (USES)					
Transfers out	(29,615)	-	-	-	(29,615)
Transfers in	-	-	29,615	-	29,615
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(29,615)</b>	<b>-</b>	<b>29,615</b>	<b>-</b>	<b>-</b>
NET CHANGE IN FUND BALANCES	(79,595)	(70,590)	(11,195)	1	(161,379)
FUND BALANCES, BEGINNING OF YEAR	677,437	402,312	13,854	104	1,093,707
FUND BALANCES, END OF YEAR	\$ 597,842	\$ 331,722	\$ 2,659	\$ 105	\$ 932,328

The accompanying notes are an integral part of these financial statements.

***VILLAGE OF CALEDONIA***

***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES***

***FOR THE YEAR ENDED JUNE 30, 2005***

Net change in fund balances - total governmental funds	\$ (161,379)
--	--------------

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Add - capital assets reported as expenditures	498,192
Deduct - depreciation expense	<u>(27,580)</u>

Change in net assets of governmental activities	<u><u>\$ 309,233</u></u>
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The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CALEDONIA**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2005**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 226,165	\$ 226,165	\$ 226,591	\$ 426
Licenses and permits	2,500	2,500	4,453	1,953
State revenue	87,965	87,965	343,141	255,176
Interest earnings	6,546	6,546	9,909	3,363
Miscellaneous revenues	3,900	3,900	3,808	(92)
TOTAL REVENUES	327,076	327,076	587,902	260,826
EXPENDITURES				
General government	200,477	200,477	171,327	29,150
Public works	207,660	207,660	466,555	(258,895)
TOTAL EXPENDITURES	408,137	408,137	637,882	(229,745)
REVENUES UNDER EXPENDITURES	(81,061)	(81,061)	(49,980)	31,081
OTHER FINANCING USES				
Transfers out	-	-	(29,615)	(29,615)
NET CHANGE IN FUND BALANCES	(81,061)	(81,061)	(79,595)	1,466
FUND BALANCES, BEGINNING OF YEAR	677,437	677,437	677,437	-
FUND BALANCES, END OF YEAR	\$ 596,376	\$ 596,376	\$ 597,842	\$ 1,466

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CALEDONIA**

**SPECIAL REVENUE FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
MAJOR STREETS FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
State shared revenue	\$ 49,622	\$ 49,622	\$ 55,044	\$ 5,422
Interest earnings	4,320	4,320	5,599	1,279
TOTAL REVENUES	53,942	53,942	60,643	6,701
EXPENDITURES				
Current				
Public works:				
Routine maintenance	24,700	24,700	501	24,199
Winter maintenance	18,624	18,624	14,268	4,356
Capital outlay	132,017	132,017	116,464	15,553
TOTAL EXPENDITURES	175,341	175,341	131,233	44,108
NET CHANGE IN FUND BALANCES	(121,399)	(121,399)	(70,590)	50,809
FUND BALANCES, BEGINNING OF YEAR	402,312	402,312	402,312	-
FUND BALANCES, END OF YEAR	\$ 280,913	\$ 280,913	\$ 331,722	\$ 50,809

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CALEDONIA**

**SPECIAL REVENUE FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
LOCAL STREETS FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
State shared revenue	\$ 23,457	\$ 23,457	\$ 31,524	\$ 8,067
Interest and rentals	700	700	135	(565)
 TOTAL REVENUES	 24,157	 24,157	 31,659	 7,502
EXPENDITURES				
Public works:				
Routine maintenance	5,000	5,000	5,560	(560)
Winter maintenance	22,142	22,142	66,909	(44,767)
 TOTAL EXPENDITURES	 27,142	 27,142	 72,469	 (45,327)
REVENUES UNDER EXPENDITURES	(2,985)	(2,985)	(40,810)	(37,825)
OTHER FINANCING SOURCES				
Transfers in	-	-	29,615	29,615
NET CHANGE IN FUND BALANCES	(2,985)	(2,985)	(11,195)	(8,210)
FUND BALANCES, BEGINNING OF YEAR	13,854	13,854	13,854	-
FUND BALANCES, END OF YEAR	<u>\$ 10,869</u>	<u>\$ 10,869</u>	<u>\$ 2,659</u>	<u>\$ (8,210)</u>

The accompanying notes are an integral part of these financial statements.

# ***VILLAGE OF CALEDONIA***

## ***STATEMENT OF NET ASSETS PROPRIETARY FUNDS***

***JUNE 30, 2005***

	<u>SEWER ENTERPRISE FUND</u>
<u>ASSETS</u>	
Current assets	
Cash and cash equivalents	\$ 427,317
Accounts receivable	70,765
Restricted cash and cash equivalents	<u>295,152</u>
Total current Assets	793,234
Capital assets	<u>2,384,149</u>
<u>TOTAL ASSETS</u>	<u>3,177,383</u>
<u>LIABILITIES</u>	
Current liabilities	
Accounts payable	43,521
Bond Payable, current portion	<u>25,000</u>
Total current liabilities	68,521
Bonds payable, net of unamortized discount of \$9,950	<u>910,050</u>
<u>TOTAL LIABILITIES</u>	<u>978,571</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	1,449,099
Unrestricted	<u>749,713</u>
<u>TOTAL NET ASSETS</u>	<u>\$ 2,198,812</u>

The accompanying notes are an integral part of these financial statements.

***VILLAGE OF CALEDONIA***

***STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND TYPE***

***FOR THE YEAR ENDED JUNE 30, 2005***

	SEWER ENTERPRISE FUND
OPERATING REVENUES	
Charges for services	<u>\$ 320,487</u>
OPERATING EXPENSES	
Supplies and administration	192,185
Repairs and maintenance	27,682
Depreciation	<u>83,804</u>
TOTAL OPERATING EXPENSES	<u>303,671</u>
OPERATING INCOME	<u>16,816</u>
NONOPERATING REVENUES (EXPENSES)	
Gain on investments	12,625
Interest expense	<u>(49,845)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(37,220)</u>
CHANGE IN NET ASSETS	(20,404)
NET ASSETS, BEGINNING OF YEAR	<u>2,219,216</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,198,812</u></u>

The accompanying notes are an integral part of these financial statements.



**VILLAGE OF CALEDONIA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE**

**FOR THE YEAR ENDED JUNE 30, 2005**

	SEWER ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 306,266
Cash payments to suppliers and employees for goods and services	(206,087)
NET CASH PROVIDED BY OPERATING ACTIVITIES	100,179
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(141,334)
Interest and fiscal charges paid on bonds payable	(49,223)
Principal payments on bonds payable	(25,000)
NET CASH USED FOR FINANCING ACTIVITIES	(215,557)
CASH FLOWS FROM INVESTING ACTIVITIES	
Gain on investments	12,625
NET DECREASE IN CASH AND CASH EQUIVALENTS	(102,753)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	825,222
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 722,469
Cash and cash equivalents are included on the statement of net assets as follows:	
Cash and cash equivalents	\$ 427,317
Restricted cash and cash equivalents	295,152
	\$ 722,469
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 16,816
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	83,804
Changes in operating assets and liabilities which provided (used) cash	
Accounts receivable	(14,221)
Accounts payable	13,780
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 100,179

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Caledonia (the “Village”) is a municipal corporation governed by an elected board.

***The Reporting Entity***

As required by generally accepted accounting principles, these financial statements present the Village and any related entities for which the Village is considered to be financially accountable. The Village follows the criteria established by GASB 14 and 39, which includes financial accountability. There are currently no other entities for which the Village is financially accountable.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After October 1 of each year, the County pays the Village, and is responsible for collecting, any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences and debt service expenditures are recorded only when payment is due.

**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *Major Streets Fund* is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as major streets in the Village.

The *Local Streets Fund* is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as local streets in the Village.

The *Debt Service Fund* is used to account for the accumulation of resources which are restricted for the payment of principal and interest on general obligation bonds. There are currently no such bonds outstanding.

The Village reports the following major proprietary fund:

The *Sewer Enterprise Fund* is used to account for the operations of the Village's sewer department that provides sewer services to most residents of the Village on a user charge basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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***Budgets and Budgetary Accounting***

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. Budgetary control is exercised at the department level. The Village manager is authorized to transfer budget amounts between line items within department, however, any supplemental appropriations that amend total expenditures of any department require Village Council resolution. Unexpended appropriations lapse at year-end.

***Cash and Cash Equivalents***

For the purpose of the statement of cash flows, the Village considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

***Restricted Cash and Cash Equivalents***

Certain resources set aside for repayment of bonds and to meet bond covenants, are classified as restricted cash and cash equivalents on the statement of net assets because their use is limited by applicable bond covenants.

***Receivables***

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial at year end.

***Deferred Revenue***

The Village reports deferred revenue when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period.

***Fund Equity***

Reserves represent those portions of fund equity not appropriable for expenditures or legally separated for a specific future use.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u><b>Years</b></u>
Buildings	40
Vehicles	12
Equipment	3-10
Sewer System	15-50

***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other expenditures.

***Compensated Absences***

There is no accumulated vacation or sick leave to be recognized.

***Property Taxes***

The Village property tax is levied each July 1 on the assessed valuation of property located in the Village as of the preceding July 31, the lien date. Collections are made July 1 through September 14. Assessed values are established annually by the County and are equalized by the State at an estimated 50% of current market value.

Property taxes levied in July of each year are recognized as revenue in that year.

# VILLAGE OF CALEDONIA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2005

#### *Risk Management*

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2005, the Village carried commercial insurance to cover most risks of losses. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

#### **2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted on the activity level in the General Fund and the function level in other funds.

During the year ended June 30, 2005, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u><b>Total Appropriations</b></u>	<u><b>Amount of Expenditures</b></u>	<u><b>Budget Variance</b></u>
General Fund -			
Trustee	\$ 8,786	\$ 10,110	\$ 1,324
Clerk	22,810	23,380	570
Public Works	207,660	466,555	258,895
Transfers out	-	29,615	29,615
Local Street Fund -			
Routine Maintenance	5,000	5,560	560
Winter Maintenance	22,142	66,909	44,767

#### **3. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The captions on the statement of net assets relating to cash and cash equivalents and the amounts in the Total column are as follows:

	<u><b>Governmental Activities</b></u>	<u><b>Business-Type Activities</b></u>	<u><b>Total</b></u>
Cash and cash equivalents	\$968,515	\$427,317	\$1,395,832
Restricted cash and cash equivalents	-	295,152	295,152
	<u><b>\$968,515</b></u>	<u><b>\$722,469</b></u>	<u><b>\$1,690,984</b></u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year-end, \$1,410,318 of the Village's bank balance of \$1,610,318 was exposed to custodial credit risk because it was uninsured and uncollateralized.

# VILLAGE OF CALEDONIA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2005

These deposits are in two (2) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Village and a specific fund or common account. They are recorded in Village records at cost. Interest is recorded when earned.

The Village does not hold any investments at June 30, 2005.

#### *Statutory Authority*

Act 217, PA 1982, authorizes the Village to deposit and invest in:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- c. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools are authorized by Public Act 20 as amended through December 31, 1997.

The Village's investment policy does not exceed the state's limited authorized investment types.

#### 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	<b>Balance</b> <b>June 30, 2004</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance</b> <b>June 30, 2005</b>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$3,487,649	\$ -	\$ -	\$3,487,649
Capital assets, being depreciated:				
Buildings	115,000	-	-	115,000
Equipment	37,760	-	-	37,760
Office equipment	14,849	-	-	14,849
Vehicles	121,497	-	-	121,497
Infrastructure	-	498,192	-	498,192
Total capital assets, being depreciated	289,106	498,192	-	787,298

# VILLAGE OF CALEDONIA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2005</u>
Less accumulated depreciation for:				
Buildings	\$ 41,001	\$ 2,625	\$ -	\$ 43,626
Equipment	19,593	3,319	-	22,912
Office equipment	14,849	5,850	-	20,699
Vehicles	62,413	8,433	-	70,846
Infrastructure	<u>-</u>	<u>7,353</u>	<u>-</u>	<u>7,353</u>
Total accumulated depreciation	<u>137,856</u>	<u>27,580</u>	<u>-</u>	<u>165,436</u>
Net capital assets, being depreciated	<u>151,250</u>	<u>470,612</u>	<u>-</u>	<u>621,862</u>
<b>Net governmental activities capital assets</b>	<b><u>\$3,638,899</u></b>	<b><u>\$470,612</u></b>	<b><u>\$ -</u></b>	<b><u>\$4,109,511</u></b>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	<u>\$ 108,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,268</u>
Capital assets, being depreciated:				
Equipment	95,617	20,838	-	116,455
Sewer system	<u>3,119,856</u>	<u>120,496</u>	<u>-</u>	<u>3,240,352</u>
Total capital assets, being depreciated	<u>3,215,473</u>	<u>141,334</u>	<u>-</u>	<u>3,356,807</u>
Less accumulated depreciation for:				
Equipment	73,187	10,395	-	83,582
Sewer system	<u>923,935</u>	<u>73,409</u>	<u>-</u>	<u>997,344</u>
Total accumulated depreciation	<u>997,122</u>	<u>83,804</u>	<u>-</u>	<u>1,080,926</u>
Net capital assets, being depreciated	<u>2,218,351</u>	<u>57,530</u>	<u>-</u>	<u>2,275,881</u>
<b>Net business-type activities capital assets</b>	<b><u>\$2,326,619</u></b>	<b><u>\$ 57,530</u></b>	<b><u>\$ -</u></b>	<b><u>\$2,384,149</u></b>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$15,169
Public works	<u>12,411</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$27,580</u></b>
Business-type activities:	
Sewer	<u><b>\$83,804</b></u>



**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**5. RETIREMENT PLAN**

The Village may make annual contributions to employee retirement accounts. Plan provisions and contribution requirements are established and may be amended by the Village Board. The contribution by the Village is determined annually by the Village Board and may be any amount up to 5% of individuals compensation. For the year ended June 30, 2005, the Village contributed \$7,173.

**6. LONG-TERM DEBT**

The following is a summary of debt transactions of the Village for the year ended June 30, 2005:

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Enterprise Fund Debt					
\$995,000 Sanitary Sewage System					
Revenue Bonds, Series 2001; due in annual					
installments ranging from \$25,000 to					
\$80,000 from September 1, 2003 through					
September 1, 2021; interest at 4.8% to 5.5%	<u>\$970,000</u>	<u>\$ -</u>	<u>\$25,000</u>	<u>\$945,000</u>	<u>\$25,000</u>

The annual requirements to amortize all debt outstanding as of June 30, 2005 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 25,000	\$ 48,023
2007	25,000	46,823
2008	25,000	45,623
2009	50,000	43,823
2010	50,000	41,423
2011-2015	250,000	170,763
2016-2020	365,000	92,824
2021-2022	155,000	8,663
<b>Total</b>	<u><b>\$945,000</b></u>	<u><b>\$497,965</b></u>

**7. INTERFUND TRANSFERS**

A transfer was made from the general fund to the local streets fund during the year to eliminate a fund deficit in the local street fund.

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# VILLAGE OF CALEDONIA

## GENERAL FUND SCHEDULE OF EXPENDITURES BY ACTIVITY - COMPARED TO BUDGET

**FOR THE YEAR ENDED JUNE 30, 2005**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE - POSITIVE (NEGATIVE)
GENERAL GOVERNMENT				
VILLAGE COUNCIL - GENERAL				
Salaries and wages	\$ 36,298	\$ 36,298	\$ 43,933	\$ (7,635)
Audit	8,300	8,300	5,895	2,405
Insurance	19,180	19,180	16,453	2,727
Legal	30,000	30,000	26,296	3,704
Engineering	15,000	15,000	1,538	13,462
Utilities	13,000	13,000	15,479	(2,479)
Office supplies	7,300	7,300	3,312	3,988
Memberships and dues	1,200	1,200	1,048	152
Printing and publishing	1,600	1,600	1,505	95
Education and mileage	800	800	135	665
Capital outlay	2,500	2,500	3,986	(1,486)
Miscellaneous	8,500	8,500	8,702	(202)
TOTAL VILLAGE COUNCIL - GENERAL	143,678	143,678	128,282	15,396
PRESIDENT				
Salaries and wages	4,495	4,495	3,962	533
ELECTIONS	400	400	-	400
TRUSTEE				
Salaries and wages	8,786	8,786	10,110	(1,324)
CLERK				
Salaries and wages	21,360	21,360	20,664	696
Office supplies	1,450	1,450	2,716	(1,266)
TOTAL CLERK	22,810	22,810	23,380	(570)
TREASURER				
Salaries and wages	2,718	2,718	2,399	319
Office supplies	100	100	18	82
Miscellaneous	1,950	1,950	774	1,176
TOTAL TREASURER	4,768	4,768	3,191	1,577
PLANNING AND ZONING				
Salaries and wages	3,465	3,465	3,913	(448)
Engineering	12,075	12,075	(1,511)	13,586
TOTAL PLANNING AND ZONING	15,540	15,540	2,402	13,138
TOTAL GENERAL GOVERNMENT	200,477	200,477	171,327	29,150

**VILLAGE OF CALEDONIA**

**GENERAL FUND**

**SCHEDULE OF EXPENDITURES BY ACTIVITY - COMPARED TO BUDGET  
(CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2005**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE - POSITIVE (NEGATIVE)
PUBLIC WORKS				
Salaries and wages	\$ 32,200	\$ 32,200	\$ 33,364	\$ (1,164)
Insurance	10,300	10,300	7,596	2,704
Operating supplies	1,500	1,500	744	756
Telephone - pager	700	700	712	(12)
Truck expense	5,200	5,200	4,340	860
Tree program	9,500	9,500	9,913	(413)
Street lights	15,550	15,550	14,633	917
Christmas lights	2,000	2,000	1,315	685
Miscellaneous	6,800	6,800	6,474	326
Contracted services	10,500	10,500	3,735	6,765
Capital outlay	113,410	113,410	383,729	(270,319)
<b>TOTAL PUBLIC WORKS</b>	<b>207,660</b>	<b>207,660</b>	<b>466,555</b>	<b>(258,895)</b>
 <b>TOTAL EXPENDITURES</b>	 <b>\$ 408,137</b>	 <b>\$ 408,137</b>	 <b>\$ 637,882</b>	 <b>\$ (229,745)</b>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

September 21, 2005

Honorable President and  
Members of the Village Council  
Village of Caledonia, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Caledonia, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents and have issued our report thereon dated September 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Village of Caledonia, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Village of Caledonia, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Village Council, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.